

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7069

BILL NUMBER: SB 374

NOTE PREPARED: Jan 14, 2004

BILL AMENDED:

SUBJECT: Biofuels.

FIRST AUTHOR: Sen. Hershman

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☒ **FEDERAL**

IMPACT: State

Summary of Legislation: This bill: (1) requires the use of blended biodiesel fuel in state vehicles and tractors when feasible; and (2) establishes the Biofuels Task Force as a permanent legislative study group operating under the policies of the Legislative Council.

Effective Date: July 1, 2004.

Explanation of State Expenditures: (Revised) *Part 1-Use of Blended Biodiesel Fuel in State Vehicles:* As of December 2003, the state owned 9,777 vehicles (cars and trucks), along with 9 motorcycles and 10 schools buses. The number of the above vehicles which would use the blended biodiesel fuel is not known. Over the last 12 fiscal years, the state has spent approximately \$124.6 M on motor fuel for its vehicles. Biodiesel can be blended with petroleum diesel. B2 (2%) biodiesel costs about 0.186 cent per gallon more than petroleum diesel, while B20 (20%) biodiesel costs about 20 to 25 cents more per gallon than petroleum diesel. B2 is the minimum blend required in this proposal.

Background Information: Biodiesel is the name of an alternative fuel produced from domestic, renewable resources. Biodiesel contains no petroleum, but it can be blended at any level (most commonly 2% to 20% by volume biodiesel) with petroleum diesel to create a biodiesel blend. It can be used in compression-ignition (diesel) engines with little or no modifications. Biodiesel is made through a chemical process called transesterification whereby the glycerin is separated from the fat or vegetable oil. The process leaves behind two products: methyl esters (the chemical name for biodiesel) and glycerin (a valuable byproduct usually sold to be used in soaps and other products). At present, B20 blend costs about 20 to 25 cents more per gallon than petroleum diesel. Over the last 12 fiscal years, the state has spent approximately \$124.6 M on motor fuel for its vehicles.

Part 2 - Biofuels Task Force: This part creates an 11-member Biofuels Task Force. Eight members are appointed by the House and Senate, while the Governor appoints three members. The Task Force is to operate under the Legislative Council policies governing study committees. During the 2003 interim, study committees with membership of less than 15 were allocated \$8,000 from funds appropriated to the Legislative Council. The fund affected is the state General Fund. The Legislative Services Agency shall serve as staff to the Task Force.

The Task Force is to do the following:

- (1) investigate methods to increase research, development, production, and use of biofuels.
- (2) advise the Commissioner of Agriculture on matters related to biofuels.
- (3) give priority consideration to review biofuel projects and policies that will provide maximum economic and environmental benefits to Indiana.
- (4) submit recommendations to the Legislative Council and to legislative committees that have subject matter jurisdiction over biofuel matters as directed by the Legislative Council. The submissions to the Legislative Council must be in an electronic format under IC 5-14-6.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: All agencies with diesel-powered vehicles; Legislative Services Agency.

Local Agencies Affected:

Information Sources: National Biodiesel Board 1-800-841-5849; Jerry Ban, Crystal Flash, 879-2849.

Fiscal Analyst: James Sperlik, 317-232-9866.